TBL Programs in Review Aug. 25 Technical Workshop
Capital & Expense Program Details

Contents:

CAPITAL PROGRAMS

Q1: What are the funds you get from debt optimization?
A: It would actually fit into Treasury model- the plans to execute ENW debt would be reflected in President's budget only after it manifests itself as Treasury debt.

Q2: How would PIR numbers tie into the OMB budget process?
A: Overall capital will be reflected into OMB or close to the numbers as you see.

Q3: How detailed is what comes out of OMB?
A: Project submissions detail. The dollars have to match the type of projects in a grouping.

Q4: How do the OMB numbers tie in with your budget authorization?
A: We can under spend the budget but not overspend.

Q5: Does the OMB budget thus tie money to specific projects?
A: The money is not tied specifically to projects.

Q6: So come next January 2005 you are making plans for FY06 capital?
A: Yes.

Q7: If we had some projects how we would get them into this process?
A: By working with your account executive or your customer service engineer.

Q8: Do we have an evaluation matrix that you use to evaluate capital in this packet?

A: No, but we can post the FY05 evaluation criteria on the Web.

Q9: Within the proposal are there explanations of alternatives?
A: The alternatives are assessed earlier in the process in the planning stage.

Q10: Is it at that point you are coordinating with other transmission entities?
A: Yes.

Comment: We appreciate your participation in NWPP.

Q11: How do you allocate across categories of capital needs?
A: We don’t have buckets with set dollar amounts.

Q12: Is revenue enhancement a criterion that you use to evaluate capital?
A: Yes, however most of the projects are to maintain reliability; they unfortunately don’t increase revenue.

Q13: How much of your projects are for revenue enhancement?
A: 83% is reliability, so there is not much that is reliability enhancement.

Q14: Capital-wise, what are you doing with reliability?
A: We strictly adhere to NERC standards, WECC and our own standards.

Q15: What is the role of NWPP?
A: The NWPP’s technical planning committee reviews and concurs on proposed transmission projects over $10 M.

Q16: What level of confidence do you use with estimating?
A: It depends on the risk—If the project is very preliminary and you are just kicking the tires plus or minus 20%.

Q17: Where does PIR fit in with slides 3 and 4?
A: The TBL matrix process is different from OMB.

Q18: In the call letter do you have PIR information?
A: There are instructions from customer engineering, which are given to the Account Executive.

Q19: What part of your capital spending counts against your borrowing authority, planned or actual?
A: Actual.

Q20: What about Echo Lake-Monroe, that isn't on the list.
A: It has been put on hold.

Q21: Is there an instance where NERC is in excess to BPA?
A: Not necessarily.

Q22: These line moves listed for future capital expenditure- does that mean that basically the tribe demanded you move the line?
A: Yes.

Q23: Is there another layer of detail below the numbers on page 9?
A: I-5 corridor is one project identified. We have specific projects, however, that are not on the list.

Q24: Is there a lot of generation integration to support this (line item marked generation integration projects)?
A: No

Q25: Why isn't this assigned to generators 100%?
A: If it is assumed to be network, we have an obligation to pay for part per FERC 2003.

Q26: How do we see the G-20 projects?
A: There are no real G projects anymore. If you look at the BPA customer response to Snohomish PUD, dated August 25th, you can see more detail on the G-20 projects. The response lists current energization dates and cost estimates as of August 2004.

Q27: The Puget Sound Area Additions used to be $30M higher, now it is $2.1M- what happened?
A: SnoKing phase I has been completed. You do not see those costs because they are prior years.

Q28: What is causing the NERC criteria compliance to increase from FY05 and to FY06? What is an example of a NERC compliance project?
A: Network performance. Examples are failure of a breaker, adding a sectionalizing breaker, etc.

Q29: Are these numbers driven by new or old NERC criteria?
A: I think it is new.

Q30: Are you stringing new fiber optics cable?
A: We are putting some in, not a lot. We are in the government frequency band and in the Puget Sound area [including parts of

Canada just to the north, there aren't enough available MW frequencies to add digital radios. So, we are looking to add fiber in the Puget Sound area, north of Maple Valley [near Renton], and north to Bellingham. We are also looking to complete SONET rings along I-5 in Oregon, #97 in central Oregon and the lower Snake in SE Washington.

Q31: Is it necessary to convert the whole system to digital?
A: : Operations & planning has feet in both canoes. ½ SONET and ½ on analog radio. In 1986 we started putting in analog- so they are now 18 years old. You can imagine what kind of life a TV would have if you ran it 24 hours a day for 20 years. We have had poor experience with analog MW radios older than 25 years in age

Q32: These areas where you are laying fiber there is no one to lease from – I would imagine that with all those companies going bankrupt there was lots of fiber to lease!
A: We use an AT&T Bell Lab study tool to calculate the SONET ring availability. Restoration time for fiber breaks measured in hours is very important – as soon as you are measuring restoration time in days, you are in trouble - we have very sparingly used 3rd party fiber. We are concerned with the time it would take the 3rd party entity to restore a break- if it is too long, we have a real possibility of experiencing a second failure and separating a ring into two portions. We don't want that to happen. For our RAS [Remedial Action System] projects, we go before the WECC RAS Reliability Task Force and present our plan of service and how we meet the minimum performance requirements

Q33: Line upgrades doubles. Is this a blip?
A: When we reduced the G-20, we needed to upgrade lines.

Q34: I don't see sources of funds shows by project.
A: We have a separate Non-Borrowing Items category in our budget with some specific projects being funded by sources other than Treasury.

Q35: Regarding your sustainable capital plan what is your public involvement process?
A: I am not sure- that is a corporate process. We will take record this as a follow-up item.

Q36: Is this the point in the agenda where we can talk about Dittmer Annex?

A. Yes. I have some information from the team. Please see consolidation of PIR technical data requests. There is currently no preferred option. Constructing a Dittmer Annex is one option. The other options include consolidating leases, looking at alternative lease sites, and/or other construction alternatives.

Q37: With borrowing authority scarce you would use $40M to build Dittmer Annex?
A: Well we have examined having a 3rd party entity build and finance the Annex; it could be cost effective as well.

Q38: Are the capital numbers for the Dittmer Annex here the highest for your options?
A: Yes, because the other ones would use expense money since they would be leases. The only other option would be to use 3rd party financing.

Q39: Are we going to see a business case for the Dittmer Annex? Or what will the customer involvement plan be?
A: We will try to talk to people about the availability of the business case. We will record this as a follow-up item.

Q40: FY06 and FY07 assumed depreciation, does that assume completion?
A: Yes

Comment: The capital guys did a very good job- this has been a very good process. Thank you.

EXPENSE PROGRAMS

Information Technology (Back to top)

Q1: What are some of the system you are referring to?
A: Billing, scheduling, metering, etc.

Q2: How much was expensed?
A: $500K

Q3: How much are each of these 3 bullets on page 4 valued at?
A: $1.2M, $400K, and $500K.

Q4: Were any of the anticipated savings included for the IT re-org?
A: No. Here's what we can tell you about an across the agency look- so far for FY05 we have reduced out capital by 17%. We are also

targeted to have a 10% reduction in personnel and 10% reduction in expenses.

Q5: Is what is shown on page 3 just expense and not amortization?
A: Yes, just expense.

Q6: Where is this in PIR?
A: It would have been on page 57 but it was pulled out to simplify presentation of the data.

Environmental (Back to top)

Q1: Are these environmental costs mostly people costs?
A: No, they also include clean-up and environmental project costs. People costs are around half.

Logistics (Back to top)

Q1: Is the nature of those costs contract cancellation fees?
A: Well it depends on how much materials are left- we might have lease costs for warehouse space. The rest is a ramp down of costs.

Q2: What is a spend target (mentioned on page 14)?
A: What we typically spend on goods and services. Our target is based on hard savings between what we paid last year and what we are paying this year for the same product or service as well inventory reductions attributed to better supply chain management..

Q3: Of the increases in FY06 and FY07 how capital to expense change was there?
A: It varies on department and project.

Q4: If you had a few more million dollars how much more could you save?
A: This year we have worked hard to lay the foundation for more aggressive spend savings in the future. We have met the initial low target of $3 million for FY2004 and will be looking to meet a more aggressive target in FY05 and FY06. We have not actually achieved all the savings yet but hope that our efforts to date have prepared us to reap larger savings in the future.

Q5: Has your group received awards?
A: There isn't an awards budget so the only awards have been limited $25 gift certificates. Even if we had a larger awards budget, we still

have quite a bit more work ahead of us before we can declare total success.

Staffing (Back to top)

Q1: So the breakdown of FTE by TBL organization would help inform Shared Services of how your FTE will be allocated so they can adjust their budget?
A: Yes that could be used. We would probably have to see how much of these folks are in the field. Although we have targets by T group we don't know how much is capital and expense.

Comment: You could estimate though.
A: Yes that is true.

Q2: How much of this (FTE count) is already in PIR?
A: PIR numbers reflect these FTE.

Q3: Will CFTE be addressed in the close-out letter?
A: It is an issue of timing – October is when asset management would be decided.

Q4: Is there a comparable commitment for contractor FTE as there is for BFTE?
A: We are not sure when this will be addressed

Comment: It is nice to have a commitment to BFTE but without the other piece (CFTE) it does not mean as much.

Q5: The reduction in TM and shift to TO is due to a reorganization?
A: Yes.

Q6: What revenue adjustment did you make then for the 200 FTE decrease?
A: That is reflected by the no inflation from FY06 to FY07.

Comment: We figured that is only giving us a value of $25K for each FTE. We don't think that is very good.